

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7471

BILL NUMBER: HB 1915

DATE PREPARED: Jan 16, 1999

BILL AMENDED:

SUBJECT: Rainy day fund; tax payments.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that before money is transferred from the Counter-Cyclical Revenue and Economic Stabilization (Rainy Day) Fund to the Property Tax Replacement Fund, the balance of the Rainy Day Fund must exceed 7% of the revenues for both the State General Fund and the Property Tax Replacement Fund (rather than exceeding 7% of just the state General Fund revenues).

This bill also provides that gross income taxes and adjusted gross income taxes are to be paid in the month following the end of each calendar quarter. The Department of State Revenue is to prescribe the payment dates for taxpayers using a fiscal year. (These changes restore the pre-1993 law.) The bill repeals certain gross income tax provisions that applied only to taxable years ending before January 1, 1998.

Effective Date: July 1, 1999; January 1, 2000; January 1, 2003.

Explanation of State Expenditures: *Rainy Day Fund:* This proposal will eliminate the transfers made from the Rainy Day Fund (RDF) to the Property Tax Replacement Fund (PTRF) over the next few years. Currently, if the balance of the RDF exceed 7% of the total state General Fund revenues at the end of the fiscal year, the excess is appropriated to the PTRF. In FY 98, there were transfers totaling **\$18.7 M** from the RDF to the PTRF. The FY 98 balance of the RDF was \$496.1 M.

Under this proposal, the balance in the RDF must now exceed 7% of the revenues for both the state General Fund **and** the PTRF before the excess funds are appropriated to the PTRF. Based on the December 17, 1998 Revenue Forecast it is estimated that the General Fund and PTRF net revenue will be \$9,209.2 M in FY 2000 and \$9,695.6 M in FY 2001. Adjusting for the *estimated payment changes* noted below, seven percent of the combined revenue would increase the maximum RDF balance from \$533 M to \$635.9 M in FY 2000 and to \$678.7 M in FY 2001.

With this proposal, there would be no transfer from the RDF to the PTRF until the RDF reaches the new

maximum fund balances.

Estimated Tax Payments: The Department of Revenue will have some administrative expenses to notify taxpayers of this change.

Explanation of State Revenues: *Estimated Tax Payments:* This bill changes the filing dates for corporate estimated returns. Currently if a taxpayer tax year ends on December 31, they must file estimated payments on April 20, June 20, September 20 and December 20. Beginning January 1, 2000, this bill changes the filing dates back to the dates which were established prior to the 1993 changes (P.L. 278-1993(ss)): January 31, April 30, July 31, and October 31. This will not impact the amount of corporate tax revenue owed to the state, but rather the timing of its receipt. The change in filing dates will result in only three estimated quarterly payments being made in FY 2000. The June estimated payment is expected to be approximately \$125 M which will now be deposited on July 31, 2000 (FY 2001) instead June 20, 2000 (FY 2000.)

The bill also allows the Department of Revenue to prescribe the payment dates for those taxpayers who utilizes a taxable year which does not end on December 31. Currently payments for filing estimated payments are set in statute for the twentieth day of the fourth, sixth, ninth and twelfth months of the taxpayer's taxable year.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Budget Agency; Department of Revenue.

Local Agencies Affected:

Information Sources: State Budget Agency, FY 98 Year End Statements; December 17, 1998 Revenue Forecast; Department of Revenue.